

PURPOSE

Carefully **analyze** and **develop rates** that are sufficient to **fund** the **O**peration, **M**aintenance and **R**eplacement of **essential** utility infrastructure while maintaining a commitment to **affordability** and **transparency**.

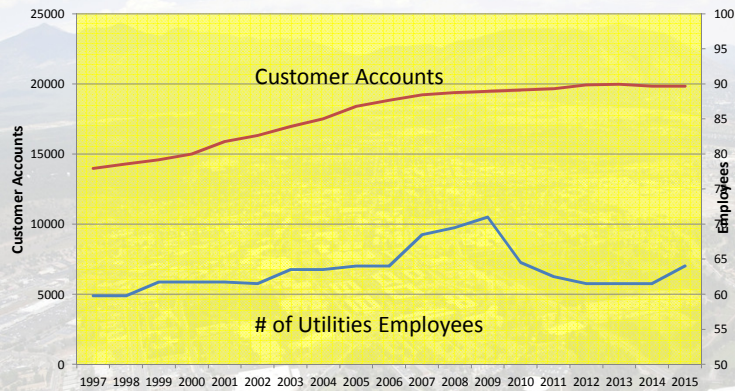
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OBJECTIVE

Ensure the City can **responsibly invest** in the infrastructure needed to provide **round-the-clock, safe** and **reliable** utility services to ensure the **public's health** and **economic vitality** of our community today and into the future.

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Utilities Efficiency Initiatives - Staffing Reductions



- Eliminated 10 positions at beginning of Great Recession
 - Rebuilding Division staff methodically

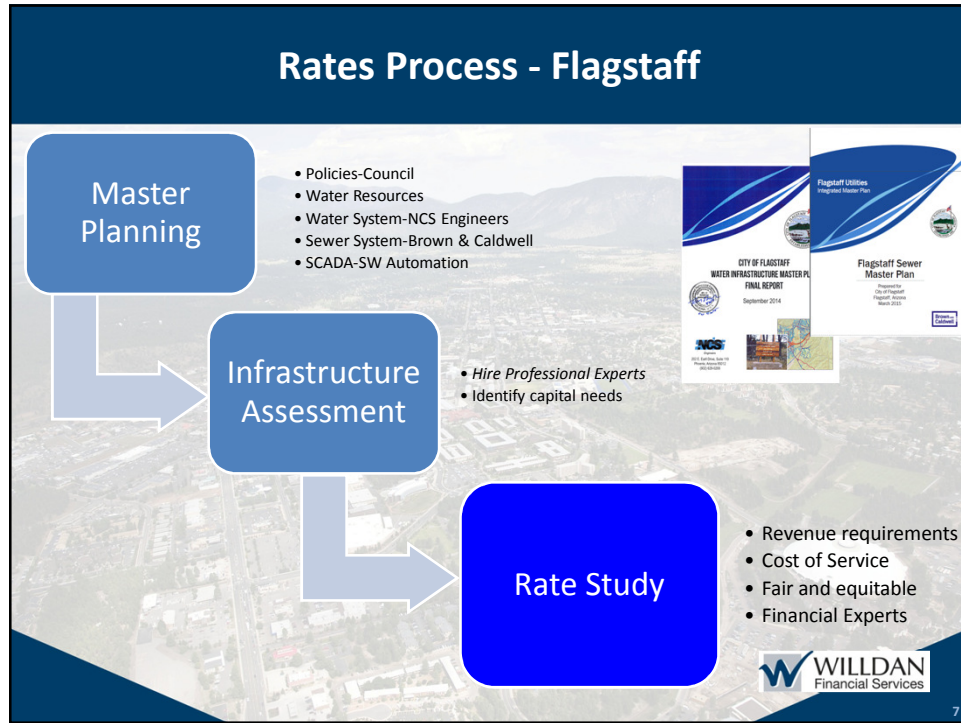
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Utilities Efficiency Initiatives

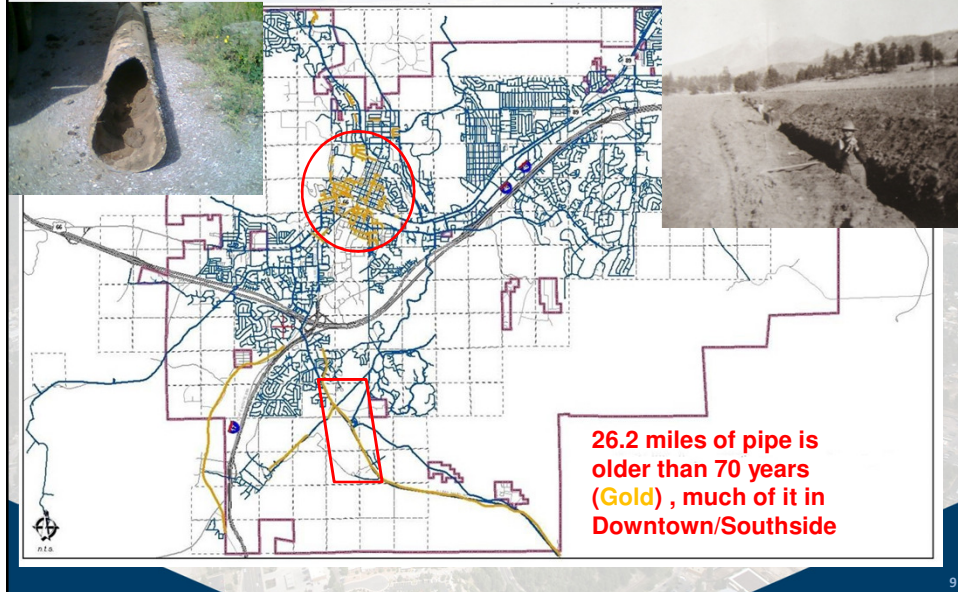
- Starting to implement Energy efficiency within Operations
 - Solar Panels, replacement of Blowers & Pumps
 - \$20 K per month savings
- Leak Detection Surveys
 - Completed >200 miles of distribution system
 - Better understand our Lost & Unaccounted For water
- Conducting Master Plans & Condition Assessments
 - Accurately demonstrate the problem with confidence
 - Strategically spend Utilities limited dollars



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Aging Water and Sewer Infrastructure



10-Year Infrastructure Recommendations Flagstaff Utility System



	<u>Funding</u>	<u>Proposed</u>
• Waterline replacement	\$2.0M/yr	+\$1.4M/yr
• Meters-Radio Read AMR	\$300k/yr	+\$180k/yr
• Sewerline Replacement	\$1.0M/yr	+\$750k/yr
• Manhole Replacement	\$0	+ \$350k/yr



WATER OPTIONS

Option	Financial Plan	Description
Option 1	3% Annual Increase	Exceeds 20% Debt service threshold-29%
Option 2	7% Annual Increase	Meets all financial policies

- Additional options to modify tiered rates

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WILLDAN
Financial Services

Proposed 3% Water Rates Fixed Monthly Charge

Table W-11

Rate Option 1A

Water

Water Rate Structure - Fixed Charges

Meter Size	Monthly Fixed Charge - Inside City					
	Current	FY 16	FY 17	FY 18	FY 19	FY 20
0.75	\$ 13.42	\$ 13.83	\$ 14.25	\$ 14.68	\$ 15.13	\$ 15.59
1	15.80	16.28	16.77	17.28	17.80	18.34
1.5	21.75	22.41	23.09	23.79	24.51	25.25
2	28.90	29.77	30.67	31.60	32.55	33.53
3	45.57	46.94	48.35	49.81	51.31	52.85
4	69.38	71.47	73.62	75.83	78.11	80.46
6	128.91	132.78	136.77	140.88	145.11	149.47
8	200.34	206.36	212.56	218.94	225.51	232.28
10	283.68	292.20	300.97	310.00	319.30	328.88

*Outside City rates 1.10x higher



Proposed 3% Water Rates

Customer Class	Tier Range	Flow Charge per 1,000 Gallons - Inside City					
		Current	FY 16	FY 17	FY 18	FY 19	FY 20
Residential	0 - 3700 Gal/Mo	\$ 2.77	\$ 2.92	\$ 3.03	\$ 3.14	\$ 3.25	\$ 3.36
	3,701 - 6,400 Gal/Mo	3.59	3.76	3.90	4.04	4.17	4.31
	6,401 - 11,700 Gal/Mo	5.53	5.76	5.96	6.16	6.36	6.56
	11,701 and above	11.06	11.46	11.83	12.21	12.59	12.98
Multi-Family	All Usage	3.56	3.73	3.86	4.00	4.13	4.27
Commercial	All Usage	3.78	3.96	4.10	4.25	4.39	4.54
Northern Az Univ	All Usage	3.47	3.64	3.77	3.91	4.04	4.18
Lawn Meter	All Usage	3.78	3.96	4.10	4.25	4.39	4.54
Manufacturing	All Usage	3.73	3.91	4.05	4.19	4.33	4.47
Standpipe	All Usage	5.78	6.02	6.22	6.43	6.64	6.85
Energy Surcharge		\$ 0.96	\$ --	--	--	--	--

*Outside City rates 1.10x higher



SEWER OPTIONS

Option	Financial Plan	Description
Option 1	5.5% Annual Increase	Exceeds 20% Debt service threshold-29%
Option 2	7% Annual Increase	Meets all financial policies



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PROPOSED 5.5% SEWER RATES

Rate Code	Flow Charge per 1,000 Gallons - Inside City					
	Current	FY 16	FY 17	FY 18	FY 19	FY 20
Residential	\$3.80	\$4.01	\$4.24	\$4.48	\$4.73	\$5.00
Car Wash	3.82	4.04	4.27	4.51	4.76	5.03
Laundromat	3.92	4.14	4.37	4.62	4.88	5.15
Commercial	4.02	4.25	4.49	4.74	5.01	5.29
Hotel	5.38	5.68	6.00	6.33	6.68	7.05
Restaurant	6.46	6.82	7.20	7.60	8.02	8.47
Ind Laundry	5.94	6.27	6.62	6.99	7.38	7.79
Manufacturing	4.32	4.56	4.82	5.09	5.37	5.67
Pet Food	9.48	10.01	10.57	11.16	11.78	12.43
Soft Drink	7.51	7.93	8.37	8.84	9.33	9.85
Ice Cream	7.51	7.93	8.37	8.84	9.33	9.85
Northern Az	3.48	3.68	3.89	4.11	4.34	4.58
University						

*Outside City rates 1.10x higher

Rates above include Energy Surcharge of \$.47



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RECLAIMED WATER OPTIONS

Option	Financial Plan	Description
Option 1	3% Annual Increase	Exceeds 20% Debt service threshold-29%
Option 2	7% Annual Increase	Meets all financial policies



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PROPOSED 3% RECLAIMED WATER RATES

Description	Flow Charge per 1,000 Gallons - Inside City					
	Current	FY 16	FY 17	FY 18	FY 19	FY 20
Private Residential (R1)						
0-3,700 Gal/Mo	\$ 1.23	\$ 1.27	\$ 1.30	\$ 1.34	\$ 1.38	\$ 1.43
3,701 – 6,400 Gal/Mo	1.52	1.57	1.61	1.66	1.71	1.76
6,401 – 11,700 Gal/Mo	2.20	2.27	2.33	2.40	2.48	2.55
11,701 + Gal/Mo	4.13	4.25	4.38	4.51	4.65	4.79
Commercial (no main ext) (C)	1.59	1.64	1.69	1.74	1.79	1.84
Commercial (w/ main ext) (C)	3.40	3.50	3.61	3.72	3.83	3.94
Manufacturing (no main ext) (MN)	1.57	1.62	1.67	1.72	1.77	1.82
Manufacturing (no main ext) (MN)	3.17	3.27	3.36	3.46	3.57	3.67
NAU (Sinclair Wash – I/M Fields) (NA)	1.48	1.52	1.57	1.62	1.67	1.72
NAU (all other) (NA)	3.17	3.27	3.36	3.46	3.57	3.67
City Departmental (MU)	1.59	1.64	1.69	1.74	1.79	1.84
Hydrant Meter (HM)	3.55	3.66	3.77	3.88	4.00	4.12
Standpipe (SP)	3.87	3.99	4.11	4.23	4.36	4.49
Off Peak / Golf Course (WR)						
0 – 150 Million Gal	1.38	1.42	1.46	1.51	1.55	1.60
150 Million + Gal	1.07	1.10	1.14	1.17	1.20	1.24
Untreated Surface Water	1.32	1.36	1.40	1.44	1.49	1.53



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STORMWATER RATE OPTIONS

Option	Financial Plan	Description
Option 1	3% Annual Increase	Funds \$400 K in CIP Pay as you go
Option 2	6% Annual Increase	Funds \$600 K in CIP Pay as you go
Option 3	6% Annual Increase	Funds \$1M in CIP With Cash & Debt Svc
Option 4	15% Annual Increase	Funds \$15M Rio De Flag and \$400 K in CIP With Cash & Debt Svc



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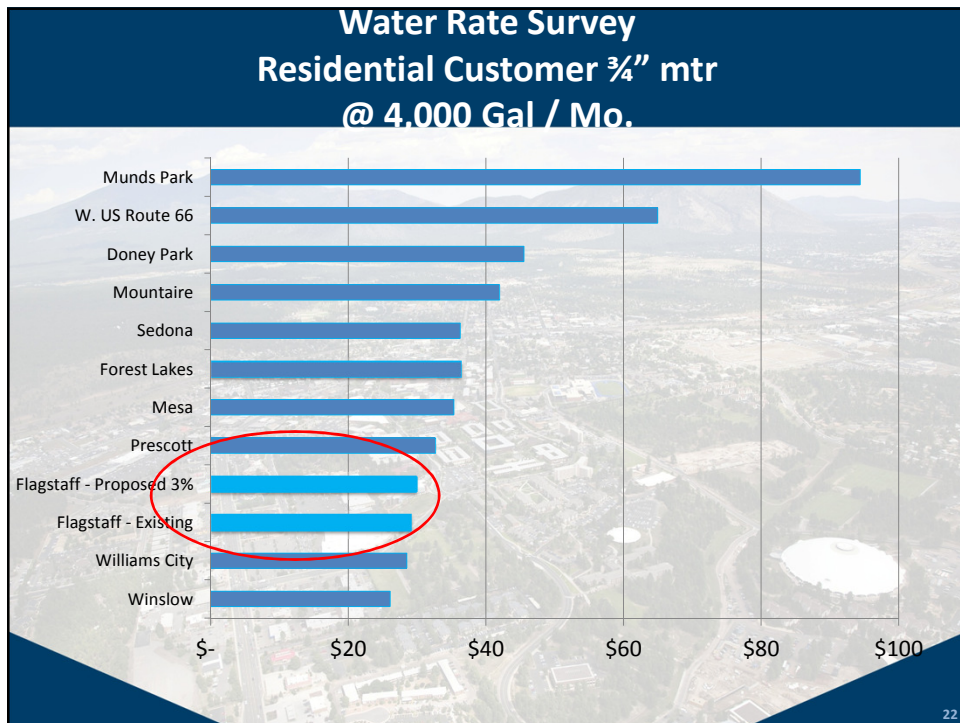
PROPOSED 3% STORMWATER RATES

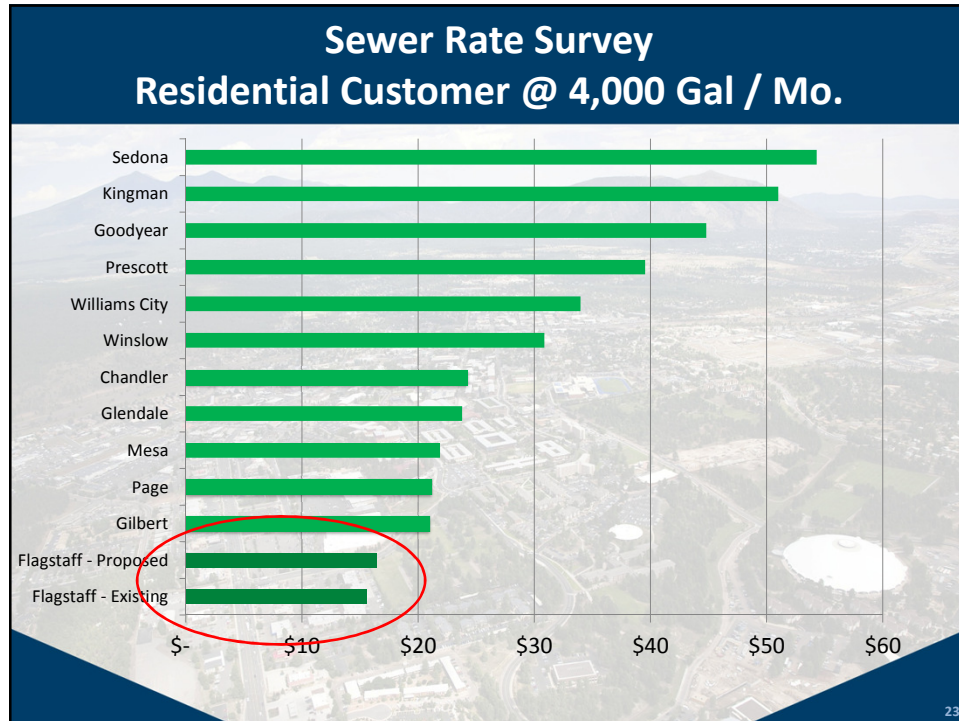
Table SW-6 Stormwater Stormwater Rates per ERU						Rate Option 1
Stormwater Rate per ERU						
Current	FY 16	FY 17	FY 18	FY 19	FY 20	
\$ 1.30	\$ 1.34	\$ 1.39	\$ 1.44	\$ 1.49	\$ 1.54	

Residential (3 ERUs) = Existing \$3.90/month
Proposed: \$4.02/month or \$0.12 increase



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TYPICAL RESIDENTIAL CUSTOMER

- BASED ON 4000 GALLON WATER USAGE – 3% Option
- Monthly Water Increase: \$0.90/mo
- Monthly Sewer Increase: \$0.84/mo
- Monthly Stormwater Increase: \$0.12/mo
- *Total Increase = \$1.86 per Month For FY16*



RESIDENTIAL CUSTOMER - 3% Option

City of Flagstaff - Utility Billing
PO Box 22827
Flagstaff, AZ 86002-2827

Account Number: [REDACTED]
Service Address: [REDACTED]
City/County: [REDACTED]
Current Activity Due: 05/27/2015

Category	Consumption	Rate (per 1,000)	Amount
ENVMT MGMT PRGM FEE			4.00
TRASH 90 GAL RES			17.73
STORMWATER FEE			3.90
BASE CHG: 3/4" METER			13.42
WATER: 0-3,700 GALS	3,700	2.77	10.25
3,701 - 6,400 GALS	296	3.59	1.06
ENERGY SURCHARGE	3,996	0.98	3.84
SEWER: SINGLE FAMILY	3,690	3.80	14.02
AZ WATER QUALITY SF			0.03
SALES TAX 8.951%			2.56
CURRENT ACTIVITY DUE 05/27/2015			70.81
ACCOUNT BALANCE			70.81

4000 GALLON WATER USAGE – 3% Option

- Monthly Water Increase: \$0.90/mo
- Monthly Sewer Increase: \$0.84/mo
- Monthly Stormwater Increase: \$0.12/mo

*Total Increase = \$1.86 per Month
or ~\$24 per year for FY16*

IMPACT TOP 15 CUSTOMERS

Customer	Monthly Water Bill Existing Rates		Monthly Water Bill Proposed at 3%		Monthly \$ Change	Annual \$ Change
NAU	\$	68,885	\$	70,952	\$ 2,067	\$ 24,799
SCA Tissue	\$	21,181	\$	21,816	\$ 635	\$ 7,625
FUSD	\$	15,509	\$	15,974	\$ 465	\$ 5,583
Little America	\$	13,820	\$	14,235	\$ 415	\$ 4,975
WL Gore	\$	9,468	\$	9,752	\$ 284	\$ 3,408
FAC	\$	8,367	\$	8,618	\$ 251	\$ 3,012
FMC	\$	8,367	\$	8,618	\$ 251	\$ 3,012
Nestle	\$	8,008	\$	8,248	\$ 240	\$ 2,883
Radisson Woodlands Hotel	\$	5,614	\$	5,782	\$ 168	\$ 2,021
Pepsi	\$	4,884	\$	5,031	\$ 147	\$ 1,758
Mission Linnen	\$	3,889	\$	4,006	\$ 117	\$ 1,400
Courtyard Marriott	\$	2,085	\$	2,148	\$ 63	\$ 751
United Metro	\$	1,072	\$	1,104	\$ 32	\$ 386
Joy Cone	\$	838	\$	863	\$ 25	\$ 302

Discussion

For more information on the City's Rate Study and background information please go to City of Flagstaff Website

<http://www.flagstaff.az.gov/water rates>

Reliable infrastructure = Reliable services

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Next Steps

Proposed schedule

- ✓ 7-16-2015 – Water Commission Final review
- July-Sept Community meetings
- 8-25-2015 – City Council Notice of Intent
- 10-6-2015 – City Council Public Hearing
- Early 2016 - Proposed Rates Effective

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QUESTIONS



TIERED RATE OPTIONS



TIERED RATE OPTIONS

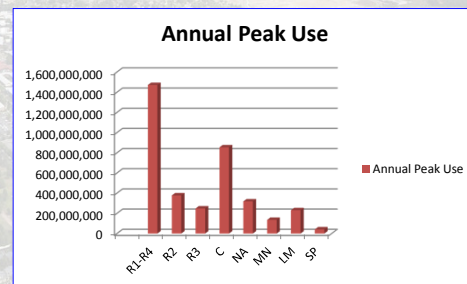
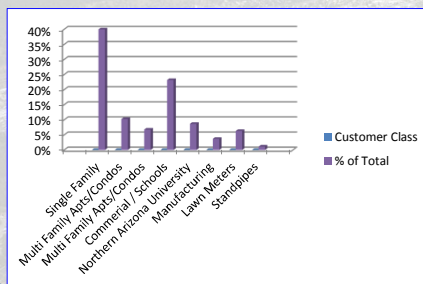
Concept: To promote water conservation, the rates charged by the City to its customers increase exponentially depending on the level of use by the customer.

- Option A – Change to Tier rates for Apartments, Commercial, Manufacturing and NAU
- Option B- Round Tier levels to even 1000

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TIERED RATES CASE STUDYS

- Impact on Commercial and Manufacturing Customers
- The impact to Northern Arizona University



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Impact of Non-Residential Tiered Water Rates Top Users - Commercial Customers (Water Rate Option 1c)

Customer	Monthly Water Bill Existing Rates	Monthly Water Bill Proposed Water Rates	\$ Change	% Change
Little America	\$ 13,820	\$ 18,898	\$ 5,077	37%
Mission Linen Supply	3,662	4,969	1,307	36%
Sherwood Forest Laundry	2,020	2,736	715	35%
Peaks Healthcare Senior Living	1,963	2,654	691	35%
Flagstaff Medical Center	8,367	11,286	2,919	35%
Super Express Car Wash	2,378	3,198	819	34%
Mission Linen Supply	3,889	5,209	1,321	34%
Coconino County Jail	5,181	6,867	1,686	33%
Courtyard Marriott	2,085	2,618	533	26%
Woodlands Village Shopping Center	2,136	931	(1,205)	-56%
Woodlands Hotel	5,614	2,444	(3,171)	-56%
Woodlands Village Flagstaff / Ramada	2,621	1,139	(1,482)	-57%

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Impact of Non-Residential Tiered Water Rates Top Users - Manufacturing Customers (Water Rate Option 1c)

Customer	Monthly Water Bill Existing Rates	Monthly Water Bill Proposed Water Rates	\$ Change	% Change
SCA Tissue	\$ 11,082	\$ 12,438	\$ 1,356	12%
Pepsi Cola	4,884	5,449	565	12%
Nestle Purina Pet Care	8,008	8,910	902	11%
Joy Cone Co.	838	880	43	5%
W.L. Gore	9,468	9,260	(208)	-2%
United Metro Materials	1,072	1,016	(56)	-5%
Arrow Redi-Mix	290	208	(82)	-28%
Mountain Heart	97	53	(44)	-46%
Coast & Mountain Properties	228	114	(114)	-50%

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Impact of Non-Residential Tiered Water Rates Northern Arizona University

Tiered Option

Customer	Monthly Water Bill Existing Rates	Monthly Water Bill Proposed Water Rates	\$ Change	% Change
Northern Arizona University	\$ 68,885	\$ 78,225	\$ 9,340	14%

Option 1- Tier Rates Annual Increase of ~\$112,080
Vs
Option 1- Proposed 3% Annual Increase ~\$24,800

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History of Residential Tier Changes (Water Rate Option 1c)

Description	Prior to 2011 (gal)	Existing (gal)	Proposed (gal)
Tier 1	0-5,000	0-3,700	0-4,000
Tier 2	5,001-15,000	3,701-6,400	4,001-7,000
Tier 3	15,001-25,000	6,401-11,700	7,001-12,000
Tier 4	25,000 and above	11,701 and above	12,001 and above

Tier 4 represents 5% of total customers

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